

DD/S 71-1997
20 MAY 1971

MEMORANDUM FOR: Director of Security

SUBJECT : Annual OMB Management Improvement Plans/Report

REFERENCE : Memo dtd 16 Nov 70 to Support Office Heads from
Chief/Plans Staff/DDS; Subject: Implementation
of OMB Circular A-44 (Revised), dated 16 Feb 70

1. A consolidated Directorate Management Improvement Report/Plan implementing OMB Circular A-44 (Revised) is due in O/PPB by 30 June 1971. It is necessary, therefore, that each Office report management improvement accomplishments for the past fiscal year and management improvement actions planned for the coming fiscal year in a format similar to the attached samples. Your report/plans should reach the Chief, Plans Staff, DD/S, by 18 June 1971.

2. You should be aware that the following items from your response to referent memorandum were selected for the Support Directorate report of 31 December 1970:

Management Effectiveness Goals

1. Negotiate with customer components a ten percent reduction during the reporting period of the number of requests for operational support provided by the Office of Security.



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3. Standardize criteria and establish adequate controls of security file review involving retiring personnel actions. Such processing now involves a security file review for each action; such as personal letters of appreciation, medallions, awards, selections for the Agency Reserve Program, etc. Standardization and controls will permit one file review for all such requirements.

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Cost Reduction Goals

1. The Office of Security plans to reduce rental fees for equipment leased by the Security Records and Communications Division through the use of newer equipment. Annual rental savings approximating \$2,800 are expected.

It is not necessary to report on all items reported previously -- only those in which significant accomplishment has been achieved. Others may be acceptable for inclusion in new plans for FY 1972. Under "Plans," however, you should report only those items for which a serious effort to upgrade performance and efficiency will be made. As a further guideline, O/PPB has furnished the attached extracts from an OMB "newsletter" which may help you ascertain the kinds of accomplishments which are of interest within the context of the OMB Management Improvement Program.

3. Instructions pertaining to reporting of accomplishments under the "Reports Reduction" project will be issued shortly. While under OMB Circular A-44, this report is being treated separately by OMB. Reports reduction savings should not be reported on the format prescribed herein.

4. Finally, actions reported should:

- a. represent real achievement;
- b. avoid verbose treatment of relatively insignificant accomplishments; and

c. follow the distinctions between "management effectiveness" and "cost reduction" actions as contained in OMB Circular A-44 (Revised).

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Annual Management Improvement Plan
Directorate

30 June 197

I - Management Effectiveness Goals

Brief Description of Effort Planned During Upcoming Year	Goals or Objective of Proposed Effort
1. 2. 3. etc.	

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 Annual Management Improvement Plan
Directorate

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II - Cost Reduction Goals

Brief Description of Effort Planned During Upcoming Year

Goal or Objective of Proposed Effort

1.
2.
3.
etc.

Directorate

30 June 1977

III - Management Effectiveness Accomplishments FY 7

Summary of Improvement or Cost Reduction Achieved	Estimated Savings for Each of Next Three Fiscal Years			Activity to Which Saving Will be Programmed

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Directorate

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IV - Cost Reduction Accomplishments FY 7

Summary of Improvement or Cost Reduction Achieved	Estimated Savings for Each of Next Three Fiscal Years			Activity to Which Savings Will be Programmed

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THE MANAGEMENT EFFECTIVENESS PROGRAM - A Review of Initial Reports

The Government-wide Management Improvement Program is based on the following premises:

- It is an inherent obligation of each department and agency to strive to maximize the benefits achieved through use of the public resources.
- A corollary of this responsibility is the manager's obligation to strive to improve his organization as an even more effective instrument of its functions.
- Opportunities for further gains in effectiveness of the organization are ever present and improvement is always possible.

Our review of the initial reports on the management effectiveness segment of the Government-wide Management Improvement Program indicated that, despite the "learning curve" frustrations and difficulties which traditionally affect the quality of first efforts, agency reports, in the main, were in consonance with the above stated premises and responsive to the requirements of Circular A-44. Certainly, the initial groundwork has been laid for rapid progression toward full development and implementation of a realistic and responsive management effectiveness program. It was especially significant to note that some of the smaller agencies, with their limited missions and highly specialized scope of activity, were particularly adept at selecting key areas for evaluation, identifying governing performance indicators and assigning realistic objectives or improvement goals.

Reports from a few of the agencies indicated not only a clear need for further review of the purpose, intent, definitions and guidelines contained in Circular A-44, but also the need for further explanation or amplification of these factors by OMB. For example, the purpose and intent of the management effectiveness program is to achieve overall improvement in the effectiveness and efficiency of Government operations in significant areas not necessarily susceptible to measurement or evaluation in terms of dollars saved. Note that emphasis is on achievement of gains in effectiveness of operations as well as on the attainment of efficiency benefits.

Therefore, to be fully responsive to the purpose and intent of Circular A-44, implementing systems and procedures should provide managers with a comprehensive picture of both resources consumed

(inputs) and the outputs produced for selected programs and activities (to the extent that inputs are identifiable and measurable against output accomplishments). Analysis of results can then provide a realistic basis for a two-pronged attack on the management problem at hand, i.e., maximizing benefits or performance, and minimizing the cost or resources applied to achieve the specific level of desired performance.

Selection of areas

As defined in Circular A-44, "An area represents a priority problem or activity which has been selected for coverage under the program." This definition specifies that the areas included in the report should be carefully selected from among those functions or activities which are of most concern to senior managers of the reporting agency. Ideally, they should reflect those key activities directly associated with the basic mission or major program established to carry out the mission.

In selecting areas, it is most important to keep organizational objectives foremost in mind. The advantage in being highly selective in area identification is obvious. Top management need be concerned only with those problems of primary significance; they are brought to the attention of the people with authority to initiate necessary corrective action; results either confirm the validity of current policies or point to need for policy revisions; the responsible managers are aware that their programs are under surveillance by their superiors and react accordingly, and the overall reporting workload is held within reasonable limits.

Such areas as "Suggestion and Incentive Awards Program," "Employee Sick Leave," "Travel," etc. found in some of the reports are areas which, while of certain significance to the agency concerned, are not considered appropriate for management effectiveness reporting to OMB. (Page 82, 1st paragraph, "Proceedings of the Federal Management Improvement Conference," provides additional guidelines on selection of areas.)

Goal-setting

Goals are defined as "approved quantitative objectives representing the desired performance to be achieved during the current fiscal year for a specific area." (This subject is well covered in the Panel 4 portion of the "Proceedings of the Federal Management Improvement Conference," pp. 82-86.) Among the goals included in the agency reports were a few that are identified here to illustrate how goals can be sharpened and made more useful.

One area used as a goal was, "Congressional Inquiries Received." This goal is not a valid objective or performance target since the associated workload input is outside of agency control. Further, the comparable performance indicator reflecting the number of inquiries received, while a measure of administrative workload, would not provide a measure of effectiveness in handling this type of correspondence. If this workload, in fact, represents a significant portion of the agency's mission, then an appropriate goal could be based on progress in handling these actions, or the processing time involved, e.g., "percent answered within 'X' days," "Congressional actions on hand over 'X' days," etc. A further refinement might be made by considering inputs, i.e., "Replies completed per Action Officer." A similar example was revealed in an agency's goal expressed as "loan requests," which could also be converted to a meaningful goal by the above procedure.

A few goal assignments merely accommodated "business as usual" levels of performance, or projected a reduced level of effectiveness. All goals should contain a built-in incentive for improvement representing a gap between what is customarily achieved and the agency's aspirations for progress. They should reflect the maximum performance that can be expected by the application of sound management procedures and the efficient utilization of existing and programmed resources. In setting goals, it is important that they be challenging but reasonably capable of attainment. A shorting of "progress voltage" becomes quickly apparent when goals are set so high as to be clearly out of reach.

Performance indicators

The selection of realistic and meaningful performance indicators is perhaps the most difficult task involved in implementing the management effectiveness program. Yet, it is the most important because they must adequately reflect the progress and managerial health of the selected areas, and also determine the nature and parameters of goals to be associated with them. Circular A-44 defines performance indicators as "a significant quantitative measure of performance in the problem area which provides the best perspective of the total management effort being applied to the problem or activity." Indicators should be selected in a manner which assures that priority attention is concentrated where the greatest needs exist. They should be carefully selected with an objective of identifying the smallest possible number essential for reflecting an accurate picture of the current level of effectiveness and overall status of progress for a specific area.

Difficulty in selection of representative and governing indicators appeared as the most common problem among the reports evaluated. The

following were identified in the annual reports as typical of the problems encountered: Some reports used as performance indicators the full range of report elements included in the feeder report for the area. Others furnished only a ratio or percentage without providing at least one of the two base figures necessary for identifying the scope of the measurement involved. While rates, ratios, percentages, order of rank, range of numbers -- all these variations of quantitative expression can be highly meaningful and valid indicators of performance, they are relatively impotent when standing alone.

Conversely, it was noted in a few reports that two or more indicators were used to reflect base data which were ideally suited for conversion to more meaningful ratios or percentages. Additionally, goals were assigned to each indicator, although conversion, as indicated above, would permit elimination of the separate goals in favor of a single goal associated with the resulting ratio or percentage. Further, there was noted a tendency to assign goals to each report element even though, in some instances, the goals were counter-productive, i.e., one goal could not be achieved without missing the other. In these situations, only the most significant and governing indicators should be assigned goals.

Although occurring in only isolated instances, there was some evidence of a lack of understanding or misinterpretation of the term "performance indicator." Perhaps the best way to clear this up is to associate the term with a few of the more common indicators we are confronted with in our everyday life such as the Dow Jones averages, Unemployment Rate, Gross National Product, Consumer Price Index, etc. Moving a step closer to indices of more concern to us as individuals, consider "par" for the golfer, "averages" for the bowler, "price/earnings ratios" for the investor, and "miles per gallon" for the motorist. The significant feature of all of these is their universal ability to present the relative standing or current status of a given area of concern in simple and meaningful terms without recourse to large numbers of reports and volumes of associated data.

Some reports reflected inputs and related outputs separately with goals assigned to each, thereby missing an opportunity to strengthen the report, provide a better indicator, and reduce goals and reporting workload by the simple procedure of reducing the two elements to a single indicator. Using an example, here is how it could be done. Let's say an agency has a fleet of aircraft and, as would be expected, persons responsible for keeping the aircraft in flyable condition. The benefit or product from the aircraft can be measured in terms of "flight hours" in use. A key input to this accomplishment would be the number of maintenance manhours required.

Here we have manhours (inputs) and flight hours (outputs) which are actually two independent but related variables and both can be measured. A simple conversion of these two elements of data into "maintenance manhours per flying hours" (MH/FH) produces a more meaningful performance indicator. Now we have an indicator that represents a measure of effectiveness considered significant in support of a fleet of aircraft. An undesirable MH/FH value, as measured against the assigned goal or targeted standard of performance, signals to management and support elements that corrective action must be taken so that a more desirable manhours per flight hour value can be achieved.

Summary

In summary, the purpose of this article is to give agencies the benefit of our findings from our review of the initial report, and without resorting to a cook-book procedure, provide constructive guidance to assist the agencies in a self-analysis of their management effectiveness program so that implementing systems and procedures may be strengthened to provide meaningful reports which reflect progressive gains in effectiveness. In this way, top management from the levels of the President, the agency heads and their major division heads can get a clear and concise picture of the major problems hindering effective accomplishment of functions and objectives, validity of policies currently in effect, actions needed to overcome deficiencies, and the degree of progress being made in resolution of the identified problems.

Top management must know how the organization is doing. In Government, especially, even the smallest agencies have to know whether they are merely marking time or moving fast enough in the right direction. No manager in any department or agency can afford to live in a vacuum. One that claims he can get by without performance data, or insists that all possible improvements have already been made, is simply not managing. He is reacting. He cannot plan without data -- he cannot make sound decisions without data. That means reports. It does not mean unnecessary reports. It does not mean reporting trivia. It does mean relevant reports. It does mean careful selection of areas, establishment of challenging but realistic goals, and reporting in terms of a small number of meaningful performance indicators.

As stated earlier, a good start has been made in implementation of the management effectiveness program. With continuation of the enthusiastic and conscientious response evidenced thus far, it is clear that progressive improvement can be expected in subsequent reports with resultant gains in Government-wide management effectiveness.

GOOD IDEAS

The following examples of management effectiveness and cost reduction have been culled from management improvement reports submitted by Federal agencies for fiscal year 1970. They have been selected to foster idea interchange. Some show commendable progress toward an agency's goal. Some show keen insight into the selection of performance indicators. Many of them may be useful to other Government agencies. We publish them here in the hope that they will stimulate all agencies to improve the effectiveness of their operations and come up with innovations in economy and efficiency.

The Food and Nutrition Service (FNS) of the Department of Agriculture is working closely with state and local officials to assure free or low-priced lunches for needy children - particularly those who attend schools that lack kitchens or cafeterias. During fiscal year 1970 the number of children who directly benefited from this program rose from 3.9 million to 5 million. A goal of 6.6 million has been set for 1971, and progress to date indicates that it will be met.

The Export-Import Bank of the United States uses as one indicator of its management effectiveness the number of loan applications approved each year. This indicator is also used to figure the average number of applications approved by each loan officer in a year's time. During FY 1970, the Export-Import Bank approved 150 loan applications, an increase of 63 over FY 1969. At the same time, the efficiency of loan officers increased by 87% as they raised the number of loan applications approved from an average of 2.23 in 1969 to 4.17 in 1970. Goals for 1971 have been set at 275 applications approved; and 6.55 per loan officer.

The Post Office reports that management is being strengthened by delegating authority downward to the 15 regional directors and

*Answers the
more down
the better
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Conventional cost reduction methods are augmented by value analysis. In contrast to simple cost-cutting by making smaller quantities or using less or cheaper materials, an item is analyzed by asking such questions as: What is it? What must it do? What does it cost? What other material or method could be used to do the same job? What would the alternative material or method cost? To arrive at the answers to these questions, an organized methodology and job plan are used.

Federal agencies that have a good Value Analysis program report savings of up to three percent of their operating budget each year. The Department of Defense, for example, has realized over \$2 billion in audited savings since 1965.

In 1970 alone, DOD's use of incentive contracts netted savings of more than \$72 million. Through incentive contracting, the Government rewards contractors for identifying unnecessary provisions in Government contracts and having them removed.

Savings that result when Value Analysis is applied to large-scale procurements can more than offset the cost of a Value Analysis program.

The following agencies have recently started or augmented a Value Analysis program:

- General Services Administration
 - Public Building Services

- Department of Health, Education, and Welfare
 - Facilities Engineering and Construction Agency

- Department of the Interior
 - Bureau of Reclamation

- Department of Transportation

- National Aeronautics and Space Administration
 - Office of Facilities

- Veterans Administration
 - Office of Construction

Next fall the Civil Service Commission plans to conduct a 5-day training course on Value Analysis.

local postmasters. It is a direct result of the Postmaster General's determination "to make the regional offices focal points of efficient business management . . . rather than merely administrative offices following orders from Washington." The Post Office reports good progress in eliminating multi-layering and reducing reports to higher headquarters.

NASA reports an innovative device developed by a technician at NASA's Lewis Research Center. The Federal Water Pollution Control Administration had over 300 oceanographic instruments in use. Each one contained an electro-mechanical timing mechanism. After four or five months of service, one out of every three of these mechanisms was found to be inoperable because of electrical contact deterioration. Replacement of the instruments cost \$85 each until a technician at Lewis devised an electronic recircuiting system that prolongs the life of reconditioned and new contacts almost indefinitely. The necessary repair now costs about \$1.00 per instrument.

The Agency for International Development reports a saving of \$181,000 in the cost of transporting jeeps. Competitive airlines estimated that it would take 9 plane loads to fly 50 jeeps to Nigeria using the DC-8 Stretch Jet. An AID employee devised a means of loading the jeeps sideways rather than lengthwise, which permitted them to be airlifted in only 3 plane loads. The estimated cost dropped from \$316,000 to \$135,000.

By using cardboard furniture instead of conventional or plywood furniture for its temporary 1970 census offices, the Census Bureau saved \$148,000 last year. Almost 30,000 cardboard desks and tables were designed, field tested, and subsequently used at a cost of less than \$4.15 each. Plywood units would have cost about \$9.00 and the cheapest conventional furniture, almost \$25.00 per unit. For this saving, Presidential Management Improvement Certificates were awarded to five Census Bureau employees: Robert Long, Robert Mackoff, Cecil Matthews, Jefferson McPike and Robert Rountree.

While clearing debris from behind the Dworshak Dam in order to raise the level of the reservoir, the Army Corps of Engineers came up with a unique idea that is expected to save the government over a million dollars. The conventional method of clearing reservoirs is to cut the growth, collect it, and burn it in place. This is particularly difficult in the precipitous canyon of the Clearwater River. So the Engineers decided to use the flotation method. Trees and other growth will remain where felled until the pool level is raised. As debris floats to the top, it will be swept together by boat and moved to an area where it can be removed and safely burned.

HUD reports that in order to preserve quality, it used to buy toners for copying machines directly from the machine manufacturer. Tests of competitive toners have proved that a lower-priced product will work satisfactorily. A blanket order arrangement with the new supplier now gets quantity discounts on all departmental orders. Annual savings amount to about \$10,000.

The Navy Department reports this improvement in telecommunications management. To remove chassis corrosion from Ground Control Approach equipment, all electronic components and wires used to be stripped and completely disassembled. The chassis was immersed in stripper and bright-dip solutions before components and wiring were reassembled. A new dry honing process has been developed which uses a very fine glass-bead abrasive under low blasting pressure to remove all corrosion and clean delicate components. With this method, the Navy cleans large assemblies intact, without endangering circuit elements. The costly steps of disassembly, reassembly, and rewiring, have been eliminated, at annual savings of approximately \$289,000.

The Navy reported savings of over \$2-3/4 million in FY 1970 through a new method of loading, blocking, and bracing rail shipments of 500-lb. bombs. The new method allows 36 pallets, each holding six bombs, to be shipped in a box car. Under the former method, only 21 pallets could be accommodated.

The Atomic Energy Commission reports that one of its Quality Assurance survey teams in Albuquerque found that a contractor was making a 100% inspection of all dimensions of three small subcomponents. The team recommended a statistical sampling technique that was put into effect in March 1970. As a result, only 195 of the remaining 46,000 parts which would ordinarily be subject to 100% inspection will be examined. Savings: over \$52,000.

Through its own research efforts, the Bureau of Engraving and Printing has developed a new, inexpensive ink for printing food coupons. It is expected to save some \$72,000 annually. The Bureau expects to save another \$223,000 annually by changing its trimming and perforating operations. These changes will reduce the number of personnel formerly required by 13 and, at the same time, increase the rate of production.

When NASA requested proposals for its Lunar Rover Vehicle, about 30 contractors responded. The cost of printing and distributing the documentation needed by each of these contractors would have run close to \$30,000. By sending each contractor a microfilm copy instead of a hard copy of all data, NASA saved \$23,350 on this contract alone, and intends to follow the same procedure on future procurements, when appropriate.

At Goddard Spaceflight Center, whenever the head of a tape transport wore out, the Data Processing Branch ordered an entire record-and-reproduce head assembly as a replacement. When one of the technicians found this out, he persuaded the manufacturer to provide head stacks alone. The difference in cost amounted to \$850 apiece. An initial saving of \$15,880 was realized; there will be savings of about \$14,660 per year hereafter.

NASA's facility at Langley has worked out an arrangement with the local electric utility that saved over \$35,000 last summer. In exchange for an offer by Langley to relinquish one hour of its peak daily load during June, July, and August, the utility company agreed to provide up to 150,000 KW of off-peak demand at no charge. Test tunnel operations were scheduled from 11 p.m. to 7 a.m. in order to take advantage of the saving.

The use of a magnetic tape typewriter has eliminated a major typing burden for HUD's San Francisco Region. Standard paragraphs are stored on tape and inserted into contracts as the need arises. Rental cost of the machine is \$3,000 a year, but its speed and accuracy of reproduction resulted in a 1.8 manyear savings during FY 1970.

The Internal Security Division of the Justice Department expects to save at least 1/2 manyear (approximately \$3,274) with the help of an electronic information retrieval system. The system will not only provide for more complete, error-free research into the backgrounds of individuals and organizations, but will free division personnel to perform other important functions.

Instead of hiring additional guards, the Justice Department is using an electronic guard system to protect the classified contents of certain rooms. This should result in savings of about \$14,000 for FY 1971.

The FAA's National Aviation Facilities Experimental Center (NAFEC) at Atlantic City, New Jersey, recently began using a commercially operated semi-automatic \$.75 car wash in lieu of the old fashioned \$2.50 "sponge-and-bucket" type. With 63 GSA vehicles at NAFEC, this economy produced an estimated annual saving of \$4,100.

The average annual cost for AEC contractors to maintain their own record centers is \$2.40 per cubic foot, compared with an average of \$.57 for storage in Federal Records Centers operated by GSA. In FY 1970, the Albuquerque operations office saved almost \$2,000 by transferring about 1,000 cubic feet of contractor records to Federal repositories.

The Arms Control and Disarmament Agency has a new system for controlling Top Secret documents that may be of use to State Department, CIA, and other agencies that handle classified information. For each Top Secret document, a master punch card is prepared, identifying the document by number, title, subject, and originating agency. From the master card, transaction cards are prepared automatically by machine. Several copies of these cards stay with the document at all times. When it is transferred, the recipient always signs one of the cards as a receipt. Receipts, therefore, no longer have to be typed; inventories are prepared automatically; and when someone wants to find out what documents are on the same subject, he can do so in a hurry by machine processing.

~~Readers are encouraged to contact applicable agency management officials listed at the end of this Newsletter for additional information on any of the items described above.~~

TAB

Agency Management Improvement Program

Implementation Instructions

I. Purpose

In compliance with the provisions of OMB (BOB) Circular A-44 (Rev.), dated February 16, 1970, a formal Agency-wide management improvement program is established. These instructions set forth policy, procedures and guidelines and assign responsibilities for carrying out a continuous effort to increase productivity, to improve operating efficiency and to reduce costs.

II. Definitions

For the purpose of these instructions, the following terms are defined:

A. Management Effectiveness - Includes those actions taken which result in improved operating efficiency, increased productivity, and curtailment of redundant, low priority, and marginally useful activities. Such actions do not have to be measured in dollar values.

B. Cost-Reduction - Includes those actions taken to increase productivity, improve efficiency, and eliminate unnecessary activities when such can be measured reasonably accurately in dollars or manpower actually saved or reprogrammed compared with actual costs in the immediately preceding year.

III. Policy

A. The Agency management improvement program consists of five interrelated elements:

1. Efficiency and productivity increases.
2. Cost-reduction.

3. Special studies of Agency-wide or inter-Directorate activities.

4. Idea interchange.

5. Recognition of individual accomplishment in exceptional improvement actions.

B. The key element of Directorate management improvement programs is the annual identification of program and component cost-reduction and management improvement objectives coupled with evaluation of actual cost-reduction accomplishments on a regular basis. This requires the development of coherent quantitative measurements of program or component productivity and performance. Where such quantitative factors are inconclusive, uninformative, or impractical, qualitative or other informative techniques will have to be devised. This involves:

1. The development in each Directorate of procedures for computing the dollar value of cost-reduction or other management improvement actions taken and determining the assignment and dollar value of resources reprogrammed to other activities.

2. Effective executive action to implement rational cost-reduction or other management improvement actions.

3. The recognition of individuals who achieve exceptional results or otherwise make a commendable contribution under the program.

C. The program will include special inter-Directorate and Agency-wide studies. Deputy Directors, the Inspector General, the Deputy to the DCI for National Intelligence Programs Evaluation, and the Director of Planning, Programming, and Budgeting are encouraged to identify those activities which they feel need inter-Directorate or Agency-wide attention.

IV. Procedures

A. By 30 June of each year, each Deputy Director will submit to the Executive Director-Comptroller a formal management and cost-reduction program plan and report. The plan for FY 1971 will

be submitted by 31 December 1970 (see Section IX - Reports).

B. Directorate annual plans will include four sections:

Section I - Management Effectiveness Goals (upcoming fiscal year).

Section II - Cost-Reduction Goals (upcoming fiscal year).

Section III - Management Effectiveness Accomplishments (current fiscal year).

Section IV - Cost-Reduction Accomplishments (current fiscal year).

1. Section I - Management Effectiveness Goals. This will cover actions and studies the Directorate intends to initiate during the upcoming fiscal year which can be expected to increase efficiency or reduce costs. Normally this section will include only those actions for which the quantification or identification of monetary (dollar) savings cannot be clearly estimated.

2. Section II - Cost-Reduction Goals. This will cover those studies and actions to be undertaken during the upcoming fiscal year by the Directorate which may lead to savings measurable in dollars or manpower which will be or can be utilized to meet unbudgeted workload or program requirements. This section should focus on: critical analysis and evaluation of low priority or marginal activities; identification and development of less costly methods and techniques for doing business; and the definition of concrete actions to increase productivity. This section should set forth both Directorate and component cost-reduction goals, expressed in dollars and manpower where possible. Cost-reduction goals must be realistic and represent actual savings expected as compared with the component's actual costs in the immediately preceding year or the most recently incurred costs, whichever is most appropriate.

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3. Section III - Management Effectiveness Accomplishments. This section reports efficiencies achieved as compared with management improvement planning goals established in Section I of the previous year's submission. Unanticipated achievements

will also be described, including those recognized under the incentive awards program.

4. Section IV - Cost-Reduction Achievements. This section will include actual dollar or manpower savings achieved as compared with planning goals identified in Section II of the previous year's cost-reduction plans. Unanticipated cost-reduction achievements also will be reported in this section. Only reductions in costs which can be attributed to deliberate management actions will be reported under this program. Monetary savings or cost-reduction for this purpose does not include such things as:

a. Reductions in costs due solely to a decline in demand for Directorate or component output or service.

b. Reductions in costs due to deferment or postponement of new programs or activities.

c. Reductions in costs resulting from the transfer of responsibility to another component, Directorate or Government agency except to the extent that there is a not savings to the Government.

d. Reductions in costs due to uncompensated overtime.

e. Reductions in costs based on the acquisition of excess property when funds for purchase of similar property were not or would not have been available.

f. Reductions in costs due solely to over-estimates of budgetary requirements.

g. Reductions in costs resulting from decisions made by authorities external to the Agency.

C. The estimated budgetary impact of cost-reduction actions will be reported. The monetary savings which result or are expected from each cost-reduction or management improvement action will be calculated, individually identified, and reported for each of three fiscal years -- the year in which the savings occur and the two succeeding fiscal years.

Savings reported for those succeeding fiscal years will represent an estimate of the funds or manpower which would have been required in each year if the improvement or reduction actions had not taken place. These data will be incorporated in the annual budget submission in a manner proscribed in the annual budget call.

D. Each Directorate will establish controls to assure that funds or manpower made available through the management improvement and cost-reduction programs are used only for approved programs or activities, including approved increases in the level of resources assigned to those activities. Savings will be reported by component, program category, sub-category and element and will reflect disposition of anticipated or actual savings in one or more of the following categories:

1. Reprogrammed or reallocated to approved requirements of the affected component.
2. Reprogrammed or reallocated to approved requirements of Directorate components.
3. No longer required to carry out approved programs and either placed in reserve or applied to reduce the Agency's budget.

V. Validation

A. The Director of Planning, Programming, and Budgeting is responsible for the validation of the dollar or other unit value of reported savings and reprogrammings resulting from the Agency's management effectiveness and cost-reduction programs. Validation will consist of a review of reported actions to confirm the accuracy of the amounts reported and their disposition or allocation to approved programs, prior to preparation of the Agency annual report to the Office of Management and Budget.

B. Validation procedures should provide reasonable assurance that:

1. Reported actions actually took place,
2. The savings reported represent reasonably accurate computations, or estimates, of the savings which occurred in the year reported and are the result of management initiative.

3. Reported savings are the net of identified, offsetting cost increases.

VI. Inter-Directorate Studies

If applicable, a Deputy Director will include in the Directorate annual plan and report his recommendations concerning areas which he feels require inter-Directorate or Agency-wide study.

VII. Idea Interchange

With due regard to security and "need-to-know" factors, the Director of Planning, Programming, and Budgeting will select and disseminate annually to other Directorates a summary of those accomplishments which may have useful application for management improvement or cost-reduction purposes to other Agency activities and components.

VIII. Awards

A. Annual plans and reports should indicate whether the Deputy Director intends to recommend any individuals for incentive awards in connection with past year accomplishments in the Management Improvement Program. Such recommendations should be formally submitted under the Agency's merit award program no later than 31 July each year.

B. Deputy Directors and the Director of Planning, Programming, and Budgeting should recommend individuals for Presidential recognition where their achievements in cost-reduction or management improvement are of sufficient importance to warrant nomination.

IX. Reports

A. Agency - The Director of Planning, Programming, and Budgeting is responsible for compilation and preparation of the annual Agency management improvement and cost-reduction reports as required by OMB (BOB) Circular A-44 (Rev.).

B. Directorates - Reports from each Directorate will be submitted to the Executive Director-Comptroller by 30 June each year in a format to be prescribed by the Office of Planning, Programming, and Budgeting. The initial report due 31 December 1970 will define the areas selected for study and related goals for FY 1971 and the results of any significant management improvement actions completed during FY 1970.